



NEWS

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For more information, contact:
Mike Gowrylow
(360) 705-6603

Doug Van de Brake
Assistant Attorney General
(360) 586-4945

Revenue sues second Internet cigarette seller; third to follow

OLYMPIA, Wash., Jan. 10, 2005 — The Washington State Department of Revenue filed suit today against a second Internet cigarette seller to force it to turn over the names of its Washington customers.

The federal suit filed in U.S. District Court in Seattle seeks to compel www.ValueCigs.com of Cape Charles, Virginia, to comply with the federal Jenkins Act and provide Washington with lists of customers who purchased cigarettes without paying state cigarette taxes.

The Department plans on filing a lawsuit against another Internet cigarette vendor later this week, Director Will Rice said.

"It's simply not fair to let online cigarette sellers ignore their obligations under federal law and undercut state tax systems this way," Rice said.

In 2002, the Department sued www.dirtcheapcig.com Inc., a Kentucky Internet cigarette seller. In December 2003, the company entered into a stipulated judgment in U.S. District Court in Seattle, agreeing to provide the state the names and addresses of Washington customers that purchased cigarettes. The Department has notified those customers that they are subject to taxes and penalties if they continue to buy cigarettes online.

The Department estimates that Internet and cross-border sales accounted for an estimated \$140 million of lost cigarette tax revenue in Fiscal Year 2004. That compares to about \$409 million in collections.

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